



THE CHARTERED INSTITUTE OF LEGAL EXECUTIVES

UNIT 2 – CONTRACT LAW*

Time allowed: 1 hour and 30 minutes plus 15 minutes reading time

Instructions to Candidates

- You have **FIFTEEN** minutes to read through this question paper before the start of the examination.
- **It is strongly recommended that you use the reading time to read the question paper fully.** However, you may make notes on the question paper or in your answer booklet during this time, if you wish.
- **The question paper is divided into TWO sections. You must answer ALL the questions from Section A. There are three scenarios in Section B. You must answer the questions relating to ONE of the scenarios in Section B ONLY.**
- Write in full sentences – a yes or no answer will earn no marks.
- Candidates must comply with the CILEX Examination Regulations.
- Full reasoning must be shown in answers. Statutory authorities, decided cases and examples should be used where appropriate.

Information for Candidates

- The mark allocation for each question and part question is given and you are advised to take this into account in planning your work.
- Write in blue or black ink or ball point pen.
- Attention should be paid to clear, neat handwriting and tidy alterations.
- Complete all rough work in your answer booklet. Cross through any work you do not want marked.

Do not turn over this page until instructed by the Invigilator.

* This unit is a component of the following CILEX qualifications: **LEVEL 3 CERTIFICATE IN LAW AND PRACTICE**, **LEVEL 3 PROFESSIONAL DIPLOMA IN LAW AND PRACTICE**

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SECTION A

(Answer ALL questions in Section A)

1. Describe, using case law, the doctrine of privity of contract. **(2 marks)**
2. What is a counter-offer and what is its effect? **(3 marks)**
3. Following the case of Ramsgate Victoria Hotel v Montefiore (1866), how does the lapse of time affect an offer? **(2 marks)**
4. (a) What is meant by executed consideration? **(1 mark)**
(b) What is meant by executory consideration? **(1 mark)**
(Total: 2 marks)
5. Janet has been collecting coupons for wine glasses from Kempston Stores. When she presents the coupons at the store she is told that there are no wine glasses left. The coupons state that they are 'binding in honour only'. Explain the legal effect of this statement. **(3 marks)**
6. (a) What is an express term in a contract? **(1 mark)**
(b) State the effect of signing a written contract. **(2 marks)**
(c) In the case of Olley v Marlborough Court Hotel (1949) explain the effect of the notice in the hotel room. **(2 marks)**
(Total: 5 marks)
7. Define what is meant by a condition in a contract and explain the effect of the breach of such a condition. **(4 marks)**
8. Identify and explain the remedies available for an innocent misrepresentation. **(3 marks)**
9. Explain what is meant by frustration of a contract. **(4 marks)**
10. What are damages and what is the purpose of damages for breach of contract? **(2 marks)**

(Total Marks for Section A: 30 marks)

SECTION B

(There are three scenarios in Section B. Answer the questions related to ONE of the scenarios ONLY)

Scenario 1

Abbi runs a graphic design business from home.

On 1 March Abbi received an enquiry from Dev, a potential client, about some design work he wanted her to do. On 2 March, she posted a proposal to Dev, specifying what she could do and a price of £2,500. On 4 March, she realised that she had under-priced the work and she sent a second letter with a new price of £3,000.

On 5 March Dev received Abbi's first letter and he immediately sent her an email stating: "Thanks for your letter of 2 March. I like your proposal and wish to proceed in accordance with the terms set out in your letter". On 6 March Dev received Abbi's second letter. He did not reply.

Abbi recently bought a computer which has broken down. She has a service contract with Best Computers which requires her to return the computer to them for repair. She therefore telephoned a courier company, Carriers Unlimited, as it advertised a next-day delivery service. She agreed a price and arranged for Carriers Unlimited to collect her computer and deliver it to Best Computers and return it to her when it was repaired.

Carriers Unlimited collected her computer on 1 April. On 6 April she telephoned Best Computers and asked when she could expect her computer back. She was told that they had not yet received it. Despite numerous telephone calls to Carriers Unlimited, the computer was not delivered to Best Computers until 21 April.

On 15 April, Abbi was asked to draw some graphic designs for an existing client who needed the work quickly. Abbi turned down the work as she had no computer. She did not consider hiring a computer. The work would have been worth £5,000.

Abbi's repaired computer was returned to her by Carriers Unlimited on 29 April.

Abbi booked a holiday cottage with Tranquil Tours. The cottage was described as located in "a quiet and secluded seaside area". She arrived at the cottage to find that it was next door to a lively bar and opposite a crowded beach.

Scenario 1 Questions

1. (a) Identify and explain any **three** elements required for a valid contract.
(6 marks)
(b) Explain how and when an offer may be revoked;
(4 marks)
(c) Explain whether there has been a valid offer and acceptance between Abbi and Dev and, if so, at what price.
(9 marks)
(Total: 19 marks)

2. Assume that 'next-day delivery' is a term of the contract between Abbi and Carriers Unlimited which has been breached.
(a) Explain the requirements from Hadley v Baxendale (1854) for claiming damages for breach of contract.
(3 marks)
(b) Explain whether Abbi may be able to successfully claim against Carriers Unlimited for the design work worth £5,000 which she had to turn down.
(8 marks)
(c) Explain the principle of mitigation of damage and how it would affect Abbi's claim.
(3 marks)
(Total: 14 marks)

3. Explain whether Abbi may be successful in any claim for damages from Tranquil Tours for loss of enjoyment as a result of her spoiled holiday.
(7 marks)

(Total Marks for Scenario 1: 40 marks)

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Scenario 2

Flo sells kitchen equipment and wanted to stock a new range of cookers. She asked George's Stoves for a quotation for 25 cookers and they submitted a quotation for £12,500.

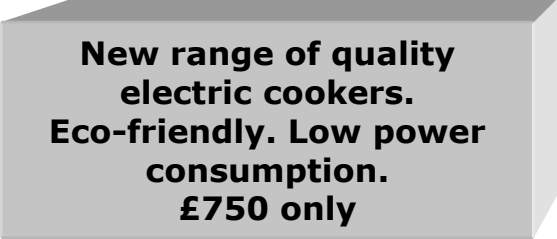
The quotation provided by George's Stoves included provisions that:

- (a) their terms would prevail over any terms in the buyer's order; and
- (b) a price variation clause would be included to allow them to increase the price in certain circumstances.

Flo submitted an order for 25 cookers subject to her standard terms which did not include a price variation clause. Flo's order form had a tear off slip for George's Stoves to sign which stated "We accept your order on your standard terms". George's Stoves signed and returned this tear off slip.

George's Stoves' delivered the cookers and invoiced Flo for £15,000. A letter attached to the invoice stated that an additional £2,500 was charged in accordance with the price variation clause due to an increase in the price of metal.

Harjit wanted a new cooker. She saw the following advertisement which Flo had placed in the Kempston News.



**New range of quality
electric cookers.
Eco-friendly. Low power
consumption.
£750 only**

Harjit asked Flo for details of the cookers' power consumption and Flo told her that they had the best economy rating, 'A'. Relying on this, Harjit bought one of the cookers. She later noticed a label attached to the cooker showing that its economy rating was in fact 'D'. This meant that the cooker had a much higher power consumption than Flo had said.

A week later, the cooker stopped working. Harjit complained about this to Flo who sent an electrical engineer to look at the cooker. The engineer said that there was a major fault and that the cooker was dangerous and should not be used.

Scenario 2 Questions

1. (a) Identify and explain **four** ways in which an offer may be terminated.
(8 marks)
- (b) Explain what is meant by the phrase 'battle of the forms'.
(2 marks)
- (c) Explain whether Flo will be liable to pay George's Stoves the additional sum of £2,500.
(6 marks)
(Total: 16 marks)

2. Explain:
- (a) the differences between a 'representation' and a 'term of the contract';
(6 marks)
- (b) **three** factors which a court may consider when deciding whether a statement is a 'representation' or a 'term of the contract';
(6 marks)
- (c) whether the statement that the cookers "had the best economy rating, 'A'" is more likely to be a 'representation' or a 'term of the contract'.
(5 marks)
(Total: 17 marks)

3. Explain whether Harjit may be able to rely on the term implied by s14(2) Sale of Goods Act 1979, if she wishes to bring an action against Flo in respect of the faulty cooker.
(7 marks)

(Total Marks for Scenario 2: 40 marks)

Turn over

Scenario 3

Imran owns a chain of theatres. In May, he entered a contract with a well-known band called Kakofonee, for them to play a series of concerts at each of Imran's theatres during July.

Lee, the lead singer, is the star of the band and has a large fan base. In early June, Lee was taken ill and his doctor has said that he will have to miss the first concert. Kakofonee have found a replacement singer to enable the concert to proceed. The replacement singer is not well known and Imran is worried that he might make a large loss on the first concert.

Imran entered into a contract with Mike to install a new heating system at one of Imran's theatres for £15,000. When the heating system was installed it was so ineffective that it was going to cost Imran £5,000 to put it right.

Imran also entered into a contract with Nona to perform in a play at one of his theatres. However, Nona argued with Imran. She refused to take any further part in the play and walked out of the theatre.

Imran hired Olivia as a replacement actress at a higher fee and paid her an advance of £500. After one week Olivia found that she could no longer work with Imran and asked to be released from her contract.

A royal visit to Kempston is planned for July. Imran has therefore decided to hold a celebration concert on the evening of the visit at his Kempston theatre. Some tickets for the concert have been sold. However, the royal visitor has become ill and will not be able to attend the concert at Kempston.

Scenario 3 Questions

1. Explain:

(a) the difference between a condition and a warranty;

(6 marks)

(b) what is meant by an innominate term;

(3 marks)

(c) whether or not Imran could repudiate the contract with Kakofonee and claim damages.

(3 marks)

(Total: 12 marks)

2. (a) Identify and explain the **four** ways in which a contract may be discharged.

(10 marks)

(b) Explain whether Imran has to pay Mike all or part of the contract price of £15,000 for the heating system.

(5 marks)

(c) Explain whether Imran can treat the contract with Nona as discharged and claim damages from Nona.

(5 marks)

(d) Explain on what basis the contract between Imran and Olivia can be discharged;

(2 marks)

(e) Explain whether people who have bought tickets for the celebration concert can claim their money back from Imran on the basis of frustration.

(6 marks)

(Total: 28 marks)

(Total Marks for Scenario 3: 40 marks)

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